

Message Text

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E.O. 11652: N/A
TAGS: BEXP, EC
SUBJECT: PRODUCT OPPORTUNITY PAPER MILL

1. BEGIN SUMMARY. LOCAL BUSINESSMAN WELL AND FAVORABLY KNOWN TO EMBASSY PLANS TO ESTABLISH PAPER MILL TO PRODUCE CHECK SECURITY PAPER AND PRINTING AND WRITING PAPER FOR ANDEAN COMMON MARKET (ANCOM). COMPANY HE IS FORMING PLANS TO SPEND US\$5 MILLION ABROAD OF TOTAL US\$7 MILLION INITIAL INVESTMENT. POST SEES TRADE OPPORTUNITIES FOR U.S. FIRMS IN SALE OF PULP, MACHINERY AND TECHNOLOGY. END SUMMARY.

2. BACKGROUND. ANCOM'S DECISION 28 OF DEC. 1970 ASSIGNS TO ECUADOR PRODUCTION OF CHECK SECURITY PAPER FOR ANDEAN MARKET. MR. GABRIEL YCAZA FORMING COMPANY TO MANUFACTURE THIS PAPER FOR ANDEAN COUNTRIES. HE ESTIMATES 1985 MARKET AT 3 THOUSAND TONS PER YEAR, BUT PLANS PLANT CAPACITY OF 12,000 TONS PER YEAR TO ALLOW FOR MANUFACTURE OF WRITING AND PRINTING PAPERS.

3. PRODUCT OPPORTUNITIES. ACOMPANY INTERESTED IN PURCHASE OF PULP, MACHINERY, TECHNOLOGY. WILL CONSIDER LICENSING ARRANGEMENT.

4. FINANCING. YCAZA EXPECTS FINANCING FOR US\$3 MILLION
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FROM GOE'S SECURITIES COMMISSION, PLUS UNDETERMINED AMOUNT FROM ANDEAN DEVELOPMENT CORPORATION. ALTHOUGH COMPANY EXPECTS TO RAISE REMAINDER FROM LOCAL SHAREHOLDERS IT WOULD CONSIDER EQUITY INTEREST OF U.S. FIRM OR ATTRACTIVE FINANCING OFFER.

5. LONG TERM PLANS. YCAZA WANTS TO PRODUCE BANK NOTE

AND OTHER TYPES OF SECURITY PAPER FOR ANDEAN MARKET.
HE WILL ASK THE MINISTRY OF COMMERCE, INDUSTRIES AND
INTEGRATION TO REQUEST THAT ANCOM ASSIGN THESE PRODUCTS TO
ECUADOR.

6. EVALUATION: COMPANY HAS DEMONSTRATED CAREFUL PLANNING
FROM BOTH TECHNICAL AND BUSINESS ENDS. POST SEES THIS AS
SERIOUS PROJECT AND CONSEQUENTLY VERY GOOD TRADE
OPPORTUNITY FOR U.S. FIRMS.

7. CONTACT. ACOMPANY CLAIMS TO HAVE RECEIVED 3 OFFERS FROM
EUROPEAN FIRMS. YCAZA WILL TRAVEL TO U.S. IN EARLY FEBRUARY
EN ROUTE TO EUROPE AND WISHES AT THAT TIME TO HOLD
DISCUSSIONS WITH U.S. COMPANIES INTERESTED IN PROJECT.
FIRMS SHOULD CONTACT:

MR. GABRIEL YCAZA, MANAGER
IDICO
VEINTIMILLA 714 Y JUAN LEON MERA
CASILLA 635
QUITO, ECUADOR
TEL. 231-553
CABLE: NAWAN

8. ACTION REQUESTED: (A) PLEASE PROVIDE POST ASAP WITH NAMES OF
U.S. FIRMS ENGAGED IN PRODUCTION OF PAPER MAKING MACHINERY.
(B) PLEASE INFORM NEW ORLEANS DISTRICT OFFICE OF THIS
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OPPORTUNITY. YCAZA'S ITINERARY NOW INCLUDES ONLY NEW
ORLEANS, BUT WOULD BE EXPANDED TO DISCUSS ATTRACTIVE OFFERS.
WE WILL ADVISE HIM TO CONTACT NEW ORLEANS OFFICE FOR
GENERAL INFORMATION AND SPECIFIC LEADS.
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